

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CITY OF BATESVILLE
RIPLEY COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
10/07/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Ronald C. Weigel	01-01-04 to 12-31-11
Mayor	Richard C. Fledderman	01-01-04 to 12-31-11
President of the Board of Public Works	Richard C. Fledderman	01-01-04 to 12-31-11
President of the Common Council	Gene Lambert Herman Struewing	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Chairman of the Utility Service Board	Sue A. Siefert	01-01-07 to 12-31-08
Comptroller of Gas and Water Utilities	Douglas Browne	01-01-07 to 12-31-08
Superintendent of Gas and Water Utilities	Elmer M. Vonderheide	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	Randall Gibbs	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF BATESVILLE, RIPLEY COUNTY, INDIANA

We have examined the financial information presented herein of the City of Batesville (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 29, 2008

CITY OF BATESVILLE
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, FIDUCIARY, AND PROPRIETARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 932,359	\$ 2,261,722	\$ 2,548,277	\$ 645,804
Motor Vehicle Highway	427,529	791,978	947,445	272,062
Local Road and Street	72,836	28,476	-	101,312
Law Enforcement Continuing Education	7,842	3,948	725	11,065
Park and Recreation	131,597	122,105	229,791	23,911
Butterfly Garden	1,099	-	-	1,099
Microenterprise Loan	30,857	209	-	31,066
Sesquicentennial Park Fund	389	-	-	389
Economic Development Income Tax	2,036,904	1,859,469	1,748,423	2,147,950
Brum Donation	153,794	6,792	-	160,586
Clerk's Records Perpetuation	12,549	1,149	743	12,955
Memorial Pool	8,031	148,177	145,139	11,069
Economic Development	220,249	-	42,119	178,130
Community Development	176,339	-	168,566	7,773
Pretrial Diversion Program	40,601	-	-	40,601
Police Donation Fund	-	1,250	1,226	24
Safe Passage	-	30,000	29,999	1
Façade Improvement	89,488	-	39,335	50,153
Riverboat Fund	170,484	114,400	57,815	227,069
EMS	221,898	183,978	76,458	329,418
Citizens Aquatic Center	-	23,433	23,433	-
Summer Concert Series	5,237	1,950	6,808	379
Rainy Day Fund	197,651	33,097	-	230,748
Playground Equipment Fund	650	66,586	65,386	1,850
Emergency Management	(4,000)	4,000	-	-
Storm Water Utility	85,481	73,562	9,120	149,923
Batesville Tree	33,001	250	20,649	12,602
Mayor's Youth Council	2,518	15,243	13,396	4,365
Baseball/Softball Complex	-	55,000	-	55,000
Cumulative Capital Improvement	105,132	21,190	1,299	125,023
Cumulative Building and Firefighting Equipment	714,089	91,202	241,705	563,586
Cumulative Park and Pool	12,737	48,241	60,978	-
Cumulative Thoroughfare	160,354	-	-	160,354
Cumulative Capital Development	662,752	145,143	6,350	801,545
Fiduciary Funds:				
Police Pension	64,853	80,471	59,297	86,027
Utility Pension	28,465	835	13,502	15,798
Payroll	265,586	3,148,356	3,392,658	21,284
User Fees	16,207	-	1,098	15,109
City Court	5,750	83,791	85,853	3,688
Water Temporary Construction	4,250	36,530	40,780	-
Public Trust	115	-	-	115
Sewer Inspection	32,206	75,367	107,573	-
Proprietary Funds:				
Water Operating	168,261	2,534,592	2,651,713	51,140
Water Depreciation	19,846	1,140,939	650,770	510,015
Water Customer Deposits	26,411	14,928	16,639	24,700
Water Retainage	-	11,237	-	11,237
Wastewater Operating	(63,484)	2,663,833	2,003,346	597,003
Wastewater Bond and Interest	379,122	775,800	776,360	378,562
Wastewater Debt Reserve	749,512	27,423	-	776,935
Wastewater Construction	831,939	14,256	846,195	-
Wastewater Improvement	833,664	138,297	-	971,961
Gas Operating	26,106	9,111,186	9,109,571	27,721
Gas Reserve	2,196,995	1,279,074	1,221,776	2,254,293
Gas Customer Deposit	24,320	15,773	14,973	25,120
Utility Clearing Account	141,050	7,260,894	7,155,422	246,522
Totals	<u>\$ 12,461,621</u>	<u>\$ 34,546,132</u>	<u>\$ 34,632,711</u>	<u>\$ 12,375,042</u>

The accompanying notes are an integral part of the financial information.

CITY OF BATESVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, sanitation, gas, water, wastewater, urban redevelopment, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depositary Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF BATESVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF BATESVILLE
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
Memorial Building	\$ 395,000	\$ 89,200
Notes payable:		
EDIT Bond Anticipation Note	<u>1,380,000</u>	<u>1,463,766</u>
Total governmental activities debt	<u>\$ 1,775,000</u>	<u>\$ 1,552,966</u>
Business-type Activities:		
Wastewater Utility		
Loans payable:		
State Revolving Fund Loan	<u>\$ 7,785,000</u>	<u>\$ 773,615</u>

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS

DELINQUENT LOANS (Applies to Gas and Water Utilities)

The Gas Utility has made loans to the Water Utility over the past several years. The balance of the loans at December 31, 2007, was \$2,379,061. Included in the outstanding balance as of December 31, 2007, were loans of \$538,596 from 2000 and \$420,000 from 2001.

Indiana Code 8-1.5-3-11(f) states: "A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

A similar comment was reported in prior Report B31502.

CAPITAL ASSET RECORDS (Applies to all Utilities)

The Utilities do not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Report B31502.

SALARY OVERPAYMENTS (Applies to Gas and Water Utilities)

The 2007 salary ordinance provides for maximum amounts to be paid to appointed City employees. The 2007 salary ordinance also provides for additional compensation for Gas and Water Utilities Operators that have achieved DSM, DSL, or WT 4 certifications. The Gas and Water Utilities Manager and Assistant Manager were paid their regular salary plus additional compensation for achieving certifications. The total compensation paid to these employees exceeded the maximum amounts approved in the salary ordinance as follows:

<u>Position</u>	<u>Compensation in Excess of Maximum</u>
Gas and Water Utilities Manager	\$ 1,664
Assistant Utilities Manager	<u>1,664</u>
Total	<u><u>\$ 3,328</u></u>

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Richard C. Fledderman, Mayor, stated that the maximum salary amounts approved in the 2007 Salary Ordinance includes the additional compensation amounts paid for achieving certifications.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

On July 14, 2008, the City Council retroactively amended the 2007 salary ordinance for the Assistant Utility Manager to include the additional compensation paid for the certifications achieved.

On July 29, 2008, Richard C. Fledderman, Mayor, stated that the City Council would be requesting the Gas and Water Utilities Manager to refund the compensation paid in excess of the 2007 salary ordinance.

CREDIT CARDS (Applies to Gas and Water Utilities)

The Water and Gas Utilities are using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in prior Report B31502.

PAYROLL BANK ACCOUNT RECONCILIATIONS (Applies to Clerk-Treasurer)

The December reconciliation of the Payroll Clearing bank account presented for examination listed various reconciling items. In a review of the December reconciliation we noted the following errors:

1. The remittance of December payroll taxes to the State of Indiana was posted to the ledger in December, but electronic transfer of the funds from the City's payroll bank account was not made until January 2008. On the reconciliation presented the State taxes due were added to the bank balance instead of being deducted.
2. Reconciling items from prior years were not included in the reconciliation presented for examination. No supporting documentation was presented that showed these items had been corrected or adjusted on the City's records.
3. A payroll transfer from the City's general bank account to the payroll bank account for "Longevity Transfers" was posted to the ledger in October 2007 and cleared the bank on November 1, 2007; however, this transfer was still included as an outstanding item on the December bank reconciliation.
4. In February 2007, a bank transfer of \$3,051 was made to correct a prior month's depositing error; however, the \$3,051 was still being included on the December reconciliation.
5. The Payroll Fund balances used on the December reconciliation did not agree to the Payroll Fund balance on the City's Fund Ledger.
6. The December reconciliation included a \$140 item for a posting error to the City's records; however, no supporting documentation was provided for this reconciling item.

After correcting the items above the payroll bank account balance was \$1,215 more than reported amount on the City's records.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CITY OF BATESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS (Applies to Clerk-Treasurer)

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient as described below:

1. Electronic funds transfers which were made from the City's general bank account to the City's payroll bank account and to the Internal Revenue Service were not posted as disbursements on the City's Funds Ledger.
2. Investments totaling \$525,627 at December 31, 2007, were not reported on the City's Funds Ledger; were not reported on the 2007 City and Town Annual Financial Report and were not included as part of the month end bank reconciliation of record balances to depository and investment balances.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL EXPENSES (Applies to Clerk-Treasurer and Utilities)

The Utility Service Board and the Industrial Park Board hold their scheduled Board meeting at a local restaurant. Before or after their meetings a lunch meal is served to the Board members. The cost of these meals is paid from City and Utility funds.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF BATESVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 29, 2008, with Ronald C. Weigel, Clerk-Treasurer; Richard C. Fledderman, Mayor; Elmer M. Vonderheide, Superintendent of Gas and Water Utilities; Sue A. Siefert, Chairman of the Utility Service Board; and Douglas Browne, Comptroller of Gas and Water Utilities. The officials concurred with our findings.